

SOURCES SOUGHT SYNOPSIS ONLY

1. The Department of Veterans Affairs, Network Contracting Office 19, is seeking sources for a potential agreement to provide Community Nursing Homes to Veterans for the Eastern Colorado Healthcare System.
2. The intended Indefinite-quantity contracts (IDCs) period will be for five (5) years. The area/location for Community Nursing Homes are: Cities of Arvada, Northglenn, Thornton, Westminster, Wheatridge, and Aurora in the state of Colorado.
3. The Government is interested in sources that can provide some or all of the required services. Interested parties are encouraged to respond with what they can provide (i.e. if you can only support a certain number of beds, please state what you can provide). See Performance Work Statement (PWS).
4. The purpose of this synopsis is to gain knowledge of potential qualified sources and their size classification (HUBZone, 8(a), small, small disadvantage, service disabled veteran owned small business, or large business) relative to NACIS 623110 Nursing Care Facilities (Skilled Nursing Facilities) (\$27.5 Million size standard). Responses to this synopsis will be used by the Government to make appropriate acquisition decisions. After review of the responses to this sources sought synopsis, a solicitation announcement may be published on FBO or GSA. Responses to this sources sought synopsis are not considered adequate responses to the solicitation announcement.
5. This is a sources sought announcement ONLY and is NOT a request for proposals or quotes.

6. In response to this announcement, please provide the information below:

Company Name:
Address:
DUNS Number:
Contact Name:
Phone No:
Email:

Business size information
Select all that applies: <input type="checkbox"/> Small Business <input type="checkbox"/> Emerging Small Business <input type="checkbox"/> Small Disadvantaged Business <input type="checkbox"/> Certified under Section 8(a) of the Small Business Act <input type="checkbox"/> HubZone <input type="checkbox"/> Woman Owned <input type="checkbox"/> Certified Service-Disabled Veteran Owned Small <input type="checkbox"/> Veteran Owned Small Business

FSS/ GSA Contract Holder	Yes <input type="checkbox"/>	No <input type="checkbox"/>
FSS/ GSA Contract Number		
Effective Date / Expiration Date		

7. Disclaimer: This is a market research/sources sought synopsis only, (not a pre-solicitation notice pursuant to FAR Part 5). The purpose of this notice is to gain knowledge of potential qualified sources with the capability to provide the services listed in the attached Performance Work Statement. This Sources Sought Notice is for planning/information purposes only and shall not be construed as a commitment or a promise of a contract by the Government. This is not a solicitation. This notice does not constitute a Request for Bid, Request for Quote or Request for Proposal, nor does it restrict the Government as to the ultimate acquisition approach. The Government will not reimburse respondents for any costs incurred in preparation of a response to this notice. Large and small businesses are encouraged to participate in this survey.
8. Inquiries will only be accepted in writing via email to kenneth.walden@va.gov on or before **February 1, 2018 by 1:00 pm MST**.

PERFORMANCE WORK STATEMENT

1. Federal Acquisition Regulation (FAR) – Indefinite Delivery Contract (IDC). In accordance with FAR 16.504, Indefinite-Quantity Contracts, this is an IDC for a five (5) year (12 months) performance period from the date of award; One Base year with four (4) one year option periods. Multiple awards against a single solicitation are anticipated.
2. Services Rendered at Department of Veterans (VA) Per Diem Rates. Upon acceptance of a VA patient by the Community Nursing Home (CNH), if and when requested by the VA Contracting Officer or authorized representative, the Contractor shall furnish all supplies and services herein described, at the per diem rates for the “Levels of Care” specified in the Schedule of Items of this IDC. The VA “Levels of Care” are defined in an attachment in Section D of the solicitation and the IDC. VA is obligated only to the extent authorized placement of patients is made in accordance with this IDC.
3. **Background/Introduction.** The Community Nursing Home (CNH) program is a key component of the Veterans Health Administration (VHA) continuum of care. The Contractor agrees to provide in accordance with the terms and conditions stated herein to the U.S. Department of Veterans Affairs Grand Junction Health Care System, in Grand Junction, Colorado at the prices specified in the section titled Schedule of Items of this contract. Nursing home facilities in the CNH program shall cooperate with VA staff in referral of appropriate veterans for care and accept veterans of which they have the capability/capacity to care. The term, “facilities,” shall include but not be limited to rooms, wards, sections, eating areas, drinking fountains, entrances, and other like areas. VA shall have the right to inspect the CNH and all appurtenances by authorized VA representative(s) to ensure that acceptable standards are maintained and that the necessary care to maintain the well-being of the patient is rendered.
4. **Requirements:** Nursing home facilities in the CNH program shall ensure that care meets the health needs and promotes the maximum well-being of VA patients. Nursing home care will be furnished to ensure the total medical, nursing, and psychosocial needs of VA beneficiaries. All nursing home facilities in VA’s CNH program must have current Center for Medicare and Medicaid Services (CMS) certification (Medicare and/or Medicaid) and a State nursing home license. VA developed quality of care standards utilizing CMS inspection criteria that are followed by VA in its selection of nursing homes which includes exclusionary criteria on which the CNH is evaluated. See VHA Handbook 1143.2, “VHA Community Nursing Home Oversight Procedures (June 4, 2004) a copy of which is available at: <http://www.va.gov/vhapublications/publications.cfm?pub=2>. VA often has a particular need for specialty care services in the CNH program. The VA requires CNHs to have bed capacity to ensure their ability to take referrals when requested. The CNH also must be able to accept VA referrals in a timely fashion (ideally within 24 hours of request). Provider visits will be available at the rate of one (1) visit per month. Laboratory, x-ray, and other special services will be available to VA patients as needed. In addition, the care provided will include room, meals, nursing care, and other services or supplies commensurate with the VA-authorized level of care, without extra charge. Duly authorized representatives of VA will provide quality oversight visits to veterans placed to assure continuity of care and to assist in the veterans’ transition back into the community. These visits do not substitute nor relieve the CNH in any way of the responsibility for the daily care and medical treatment of the veteran. The per diem rate(s) established in this contract will include the cost of primary medical care, one (1) provider visit per month and needed consultation, drugs and routine supplies, laboratory, x-ray, and other special services authorized by VA, unless otherwise specifically excepted (see Schedule of Items in this contract for details regarding per diem rates and coverage). Full attention shall be given to motivating and educating patients to achieve and maintain independence in the activities of daily living. Every effort shall be made to keep patients ambulatory and to achieve an optimal level of self-care.

5. **Termination of Services.** VA reserves the right to remove any or all VA patients from the CNH at any time when it is determined to be in the best interest of VA or the patients without additional costs to the Government.
6. **VA Authorizations.** Authorization for nursing home care will be submitted on VA Form 10-7078, "Authorization and Invoice for Medical and Hospital Services." Each authorization validity period will be noted on the VA Form 10-7078 with a beginning and end date. Any extension to the original authorization validity period, regardless of the number of days, requires a new VA Form 10-7078.
7. **Medicaid-Based Rates.** The current State Medicaid rates may be used as a basis for determination of VA rates. The VA rate will include medical care, routine medications, laboratory, x-ray, therapy (ies), and other special services authorized by VA, unless otherwise specifically exempted. VA will contract for appropriate Medicaid categories of care using Resource Utilization Groups (RUG-IV) as a guide. As with Medicare, a description of the RUG-IV systems can be found in 42 CFR Parts 409, et al.
8. **Primary Medical Coverage.** The assigned CNH provider is the primary medical provider during the nursing home stay and is responsible for writing or approving admission and all other orders as soon as the veteran arrives at the CNH. The CNH provider is responsible for general medical care, urgent evaluation and intervention. Provider visits will be according to the Center for Medicare and Medicaid Services (CMS) guidelines. The assigned nursing home provider will provide timely care following the most current CMS guidelines; arranging 24/7 access for patient care; arranging easy access to VA staff for consultation; providing timely response to calls and arranging for timely provider back-up according to OBRA guidelines (42 CFR 483.40, OBRA Guidelines).
9. **Rehabilitation Criteria.** All therapy provided under this IDC will be individual therapy, rather than group therapy, unless otherwise ordered by the authorizing VA facility. Therapy may require pre-approval by VA before services are provided. Medical Restorative criteria will be used for physical therapy, occupational therapy, and speech therapy. Therapy must be skilled, relate to safety and be restorative according to Medicare criteria.
 - a. **Description of Rehabilitative Therapy.** The concept of rehabilitative therapy includes recovery or improvement in function and, when possible, restoration to a previous level of health and well-being. Therefore, evaluation, re-evaluation and assessment documented in the Progress Report should describe objective measurements which, when compared, show improvements in function, or decrease in severity, or justification for an optimistic outlook to justify continued treatment. Covered therapy services shall be rehabilitative therapy services unless they meet the criteria for maintenance therapy requiring the skills of a therapist.
 - b. **Evaluations/re-evaluations** should consider the following: Establishment of treatment goals specific to the patient's disability or dysfunction and designed to specifically address each problem identified in the evaluation; design of a plan of care addressing the patient's disorder, including establishment of procedures to obtain goals, determining the frequency and intensity of treatment; continued assessment and analysis during implementation of the services at regular intervals; instruction leading to establishment of compensatory skills; selection of devices to replace or augment a function (e.g., for use as an alternative communication system and short-term training on use of the device or system); and patient and family training to augment rehabilitative treatment or establish a maintenance program. Education of staff and family should be ongoing.
10. **Emergency Care; Financial Responsibility; Advanced Directives.** In emergencies, nursing home staff will utilize the 911 local emergency systems as for any resident. Advance directives or living wills shall be adhered to according to CNH physician's orders. When private hospitalization or emergency services are required, the patient, spouse, financial guardian or insurer is financially responsible. Service connected veterans may qualify for VA coverage of emergency care provided the VA Health Care System (VAHCS) is contacted by the private hospital provider within 72-hours

of admission on the first business day following a weekend or holiday. This includes the cost of necessary transportation for such care.

11. HIPAA Compliance. HIPAA compliance is required. The Contractor must adhere to the provisions of Public Law 104-191, Health Insurance Portability and Accountability Act (HIPAA) of 1996 and the National Standards to Protect the Privacy and Security of Protected Health Information (PHI). As required by HIPAA, the Department of Health and Human Services (HHS) has promulgated rules governing the security and use and disclosure of protected health information by covered entities, including the Department of Veterans Affairs (VA). In accordance with HIPAA, the Contractor may be required to enter into a Business Associate Agreement (BAA) with VA, but VACO has recognized CNH Facilities as an entity that does not require a BAA as long as they are conducting health care on VA's behalf. The CNH care program qualifies as a medical service, so no BAA is required.

12. State Licensure; Access to CNH Quality of Care Reports. The CNH must maintain a current and unrestricted state license to operate as a skilled nursing facility. Changes in the status of the licensure will be immediately reported to the VA Home and Community Care Department at 970-242-0731 or 970-263-2859. VA will monitor the professional care and administrative management of services provided to VA beneficiaries under this contract, through one or any combination of the following methods: reviews of State agency reports; on-site inspection of the CNH by VA staff; and/or on-site monitoring of VA patients. The CNH shall provide VA with copies of all State agency reports when requested, and cooperate fully with VA's quality improvement or quality assurance program functions relating to this contract, including VA's on-site inspection and monitoring. The VA Contracting Officer shall make all final determinations as to the Contractor's reasonable cooperation with VA and compliance with these requirements.

13. Corrective Action Plan. The CNH will cooperate with timely development of Corrective Action Plans (CAPs) related to identified deficiencies and related to State, Federal or VA surveys. The CNH will develop in the time period specified by VA timely and appropriate CAPs for VA surveys or investigation of complaints related to quality of care or sentinel events. The CNH will also supply related documents or data as specified by VA. The CAPs will include but are not limited to the following criteria and shall:

- a. contain elements detailing how the CNH will correct the deficiency as it relates to the individual;
- b. indicate how the CNH will act to protect residents in similar situations;
- c. Include the measures the CNH will take or systems that will be altered to ensure that the problem will not recur. The CNH must look at the system and determine if a change to the existing system will work, if a new system is necessary, or if a system does not exist and must be developed;
- d. Indicate how the CNH plans to monitor performance to make sure that solutions are permanent. The CNH must develop a quality assurance tool for ensuring that correction is achieved and sustained. This tool must be implemented. Failure to implement a quality assurance tool to sustain compliance will reflect that the CNH has an ineffective quality assurance system; and
- e. Provide dates when corrective action will be completed.

14. Life Safety Code. The CNH's building shall conform to the most recent standards of the Life Safety Code (National Fire Protection Association Standard #101) in effect on the date of the contract award and compliance with all applicable Federal, State and local regulations. The administrator of the CNH is required to notify the VA Contracting Officer in writing at least thirty (30) calendar days prior to any planned facility changes that could impact the Life Safety Code and other safety features of the facility which were in existence at the time this contract became effective. The VA Contracting Officer will notify the VA Safety Manager responsible for the Life Safety Code inspection of the CNH and he/she will review (inspect the facility if required) the proposed changes and provide necessary approval or disapproval of the CNH to house veterans during and/or after the proposed changes. These changes may include but are not limited to:

- a. Interior changes requiring VA approval. Some examples of facility changes that require the VA Contracting Officer notification are as follows: interior finish, corridor partitions/walls, patient room doors, linen or trash chutes, exits, emergency lighting, fire alarm systems, automatic sprinklers, smoke barrier walls or doors, oxygen systems, compressed gas storage, HVAC, electrical and fuel gas systems;
- b. Automatic sprinkler system. All VA contracted CNH facilities are to be fully-equipped with a fully-automatic sprinkler system installed in accordance with the National Fire Protection Association's (NFPA) standards and be 100% sprinklered;
- c. Natural disasters. In the event of a natural disaster (flood, tornado, etc.), the CNH shall communicate all action plans to VA. The action plans will at a minimum identify temporary transfers of location, dates, and names of veterans transferred; and
- d. Major construction; additions; and renovations. Major construction including building additions or other renovations which may affect physical plant integrity; SHALL MEET latest NFPA 101 Life/Safety Code requirements as well as any additional VA CNH construction standards in place at time of renovation or alteration.

15. Acceptable Safety and Sanitation Practices. Acceptable safety and sanitation practices shall be observed throughout the facility. The CNH will address employee and patient safety practices through staff orientation, training and adherence to related policy or procedures to provide a safe and clean environment.

16. Re-admission to the VA Hospital and Emergency Care; Notification of Death of Veterans; CNH Responsibility to Veteran's Belongings or Personal Effects. VA beneficiaries who begin to require more than the level of care authorized by VA will be readmitted to an appropriate VA facility, as determined and authorized by VA.

- a. When such an admission is not feasible because of the nature of the emergency, hospitalization in a non-Federal facility may be accomplished provided VA authorization is obtained. VA authorization must be obtained within 72-hours of admission of the patient to a non-Federal facility and notice of any veteran death within 24-hours or immediately the first business day after a weekend or holiday. If hospitalization of a non-emergency nature is required, readmission to a VA Medical Center may be accomplished as soon as the patient's condition is sufficiently stabilized to permit admission to a VA Medical Center.
- b. In the event of a death of any veteran, the Contractor agrees to notify VA immediately of the death. In the event a death of a VA beneficiary while receiving nursing home care under this contract, the CNH will promptly notify the VA facility which authorized admission and immediately assemble, inventory, and safeguard the patient's personal effects. The funds, deposits, and effects left by the VA patients upon the premises of the CNH shall be delivered by the CNH to the person(s) entitled thereto under the laws currently governing the CNH for making disposition of funds and effects left by patients, unless the beneficiary died without leaving a will, heirs or next of kin capable of inheriting.
- c. When disposition has been made, the itemized inventory with annotation as to the disposition of the funds and effects will be immediately forwarded to the VA facility authorizing admission. Should a deceased patient leave no will, heirs, or next of kin, his/her personal property and funds wherever located vests in and becomes the property of the United States in trust. In these cases, the CNH will forward an inventory of any such property and funds in its possession to the VA facility authorizing admission and will hold them (except articles of clothing necessary for proper burial) under safeguard until instructions are received from VA concerning disposition. CMS regulations require retention of records for five (5) years when there is no requirement in State law.

17. Leave of Absence (LOA) – Bed-Hold Statement. For re-hospitalizations or therapeutic passes, VA will pay a bed hold. Therapeutic passes will be authorized by the CNH staff based on individual patient needs, but are generally limited to two (2) times per month and should be pre-approved. VA will cover bed holds based on the following plan:

- a. 2 days/episode, pre-approved by VA when in the best interest of the Veteran and VA.

Bed-hold will begin the date the resident leaves the CNH and full per diem will resume on the date of readmission to the CNH. Absences of fifteen (15) consecutive calendar days or more, whether in a VA or in a non-Federal facility require a new authorization agreement. The nursing home is responsible to notify the family if a bed hold is required for a longer period. The family would then make arrangements with the home to hold the bed.

19. Reportable Events. VA requires CNHs to report to the CNH Coordinator at VA any of the following events within 24-hours or immediately the first business day after a weekend or holiday:

- a. Sentinel events;
- b. When there is a change of ownership of the CNH;
- c. When there is a change of nursing home administrator or Director of Nursing/Director of Nursing Service;
- d. substantiated allegations of mistreatment, neglect, abuse or misappropriation of CNH veterans or property;
- e. Elopements of CNH veterans pursuant to state regulations;
- f. Infectious outbreaks;
- g. Resident to resident or resident to staff altercations involving a CNH veteran resulting in any injury that is other than minor;
- h. Copies of annual surveys or substantiated complaint investigations conducted by a State oversight agency; and
- i. Adverse events. Reporting shall include date of occurrence and patient disposition and outcome.

A sentinel event may include, but is not limited to the following:

- a. A fall resulting in death or injury;
- b. Elopement resulting in a missing patient;
- c. Patient abuse confirmed or under suspicion;
- d. A medication error resulting in patient illness or injury;
- e. Death or patient injury related to restraint (including side rails) use; or
- f. Death related to an unconfirmed or suspicious cause.

When an adverse event occurs involving a CNH Veteran which is not determined to be a Sentinel Event (but that the State requires that the occurrence be reported to the State), such event is also to be reported to VA's CNH program office. Some adverse events, such as minor medication errors without catastrophic outcomes, are managed by the CNH in the context of their quality improvement programs. It is not necessary for nursing homes to report such incidents to the CNH program office.

20. VA Actions Regarding Serious Quality of Care Deficiencies. In cases of serious deficiencies affecting the health or safety of veterans or in cases of continued uncorrected deficiencies, VA will take one or more of the following actions in accordance with the terms and clauses of the contract and applicable procurement regulations:

- a. Increase VA staffing monitoring until the State survey agency clears the deficiency;
- b. Suspend placement of veterans in the CNH;
- c. Remove or transfer veterans under the contract from the subject CNH;
- d. Not renew the IDC; and/or
- e. Terminate the IDC.

21. VA Staff Access to CNH Records. All medical records concerning the veteran's care in the CNH will be readily accessible to VA. Upon discharge or the death of a patient, medical records will be retained by the CNH for a period of at least five (5) years following termination of care. Patient records will be maintained in conformance with the Privacy Act of 1974 (5 U.S.C. § 552a). A medical record shall be maintained for each patient, which includes at least the following:

- a. VAHCS Referral Package to the CNH:

- 1) Copy of Physician Orders for Nursing Home Care; CPRS Notes; Discharge Summary including History & Physical information with Medication List; Rehabilitation Progress Notes; and Veteran Demographic Record which includes next of kin information. Copy of Authorization Agreement (VAF 10-7078).
- b. Nursing Home Clinical Record: The CNH must maintain clinical records on each veteran in accordance with accepted professional standards and practice. The clinical record must be: complete, accurately documented, readily accessible, systematically organized, and legible. Clinical records must contain at a minimum:
 - 1) Sufficient information to identify the resident;
 - 2) A record of the veteran's assessments, including those assessments performed by services under the contract with the CNH;
 - 3) The plan of care and services including medication administration, provided by CNH staff and services provided under the contract with the CNH;
 - 4) Interdisciplinary progress notes to include effect of care provided, veterans' response to treatment, change in condition, and changes in treatment;
 - 5) Medical practitioner orders which are signed and dated;
 - 6) Allergies;
 - 7) Person to contact in an emergency situation;
 - 8) Name of attending medical practitioner; and
 - 9) Advanced directives if available.
- c. Clinical Record Safeguards: The CNH must safeguard clinical record information against loss, destruction, or unauthorized use. If the CNH maintains a veteran's record by computer, electronic signatures are acceptable. If attestation is done on computer records, safeguards to prevent unauthorized access and to provide for reconstruction of information must be in place.

20. Specialty Services. The CNH will assume responsibility for arranging specialty care for veterans (e.g., dental care, podiatry and ophthalmology).

21. VA Health Care System Consultation/Resources.

- a. Telephone Care Communications Systems (TCCS): For urgent same-day outpatient specialty care or for non-urgent scheduled clinic appointments/consultations, phone (TBA) between 9 a.m. and 3 p.m. Monday through Friday, excluding holidays. If a same-day appointment is anticipated; please call as early as possible.
- b. Admissions Conference Call Systems phone number Phone #: For non-emergency consultation or /evaluation for admission to the VA Grand Junction Health Care System (after initial evaluation or intervention by the nursing home physician).
- c. After hours, weekends and holidays: For urgent referrals or consultation contact the Admission Conference Call System number TBA
- d. Transportation: Necessary transportation to and from the VA hospital for clinics, evaluation or hospitalization will be arranged and paid by the VA hospital for CNH patients when requested. For Clinic appointments, call TBA.

22. Charitable Contributions. The CNH will not solicit contributions, donations, or gifts from patients or family members. Note: Established charitable fundraising activities of a CNH fall outside the scope of this language.

23. CNH Billing. Invoices for board, care and ancillary services shall be submitted promptly to the authorizing facility by the 15th calendar day following the end of the month in which services were rendered. The CNH will promptly notify the VA CNH Coordinator regarding any change in Veteran status: discharge, transfer, against medical advice (AMA), hospitalization, death and/or any changes in payer source and any ability to complete timely billing. All invoices must include the full name and address of the CNH and shall reflect the patient's name, social security number, number of days billed, RUG category (ies), and agreed upon RUG rate (s). Failure to include this information may

result in delayed payment. The current CNH Billing Cover Sheet can be obtained from the VA Fee Basis department.

- a. Pre-approves services billed by CMS procedures or CPT codes: All services which are pre-approved by VA as additional to the all-inclusive per diem rate must be billed according to CMS procedures or CPT codes. The CNH will be reimbursed based on local guidelines and VA pricing schedules.
- b. High cost drugs: All requests for additional reimbursement for high cost drugs and corresponding billing are due as soon as possible, but no later than 90 calendar days after use of products.
- c. Invoices: Corrected invoices must be submitted for additional payment of any ancillary costs or changes to the original billing. All corrected invoices must include all items that are affected by the change and should include the CNH corrected claim form.

24. Minimum Quantities; VA Payment. It is impossible to determine the exact or estimated amount, which will be expended under this contract. No obligation will be incurred by VA under this contract, until authorizations are issued for nursing home care of specific beneficiaries. VA agrees to make payment on a timely basis for services rendered in accordance with such authorizations upon receipt of proper invoices submitted by the CNH as outlined in this contract. VA will make payment for the day a recipient enters the CNH but not the day the recipient leaves a CNH unless entrance and departure are on the same day, then payment will be made for one (1) day.

25. VA Payments. Payments made by VA under any contract pursuant to this contract, constitute the total cost of nursing home care. No additional charges will be billed to Medicare (with the exception of hospice), Medicaid, or private insurance, the beneficiary or his/her family, either by the CNH or any third party furnishing services or supplies required for such care, unless and until specific prior authorization in writing is obtained from the VA facility authorizing placement. The patient, family and any other entitlement programs (e.g., Medicare, Medicaid, etc.) will not be billed for uncovered services or costs during the VA contract period. This constitutes double-billing and Federal fraud.

- a. Vendors who bill electronically using the HIPAA-compliant claims transactions must submit claims through the Payment Center, P. O. Box 1004, Fort Harrison, MT 59636 or by fax to 406-841-8986.

26. Private Rooms. A private room rate for clinical concerns such as communicable diseases or infections (e.g., MRSA, VRE), or other pertinent clinical needs may be charged above the negotiated RUG rate for that facility with prior approval by the VA CNH Coordinator or designated VA staff. However, no additional private room charge will be allowed in the following circumstances: where the CNH only maintains private rooms; no double-occupancy rooms are available; and for ventilator-dependent patients with prior-negotiated rates.

27. Specialized Prosthetics Equipment (e.g., specialty bed): Veterans may be eligible for specialized equipment when clinically indicated. Pre-approval required by VA.

28. Medications: All Medications administered to VA-contracted Veterans residing in a CNH will be charged at the Average Wholesale Price (AWP) or according to the pharmacy bill, whichever is less. Medication costs up to 8.5% of billed care are included in the RUG rate pricing. Medication costs which exceed 8.5% of the monthly per diem will be billed as a separate line item in addition to the applicable RUG rate(s). All calculations will be made on a monthly basis. When a patient's medication costs are determined to be in excess of the 8.5%, the VA must be promptly alerted to establish an appropriate course of action. This course of action may include the VA providing medication(s) to the CNH for the contracted Veteran or requiring an acceptable alternative medication be substituted. If for any reason the VA provides patient medications, the rate of reimbursement will be decreased by an agreed upon amount. The VA also reserves the right to deny payment for medication, which at its sole discretion, is determined by the VA to be of no clinical benefit to the veteran.